

A fight is brewing up among House Republicans about whether to restore higher limits on the size of government-backed home loans.

On one side are conservatives like Rep. Scott Garrett (R., N.J.) and Rep. Jeb Hensarling (R., Texas).

They argue that Republicans should resist last week's move by the Senate to restore higher limits on the maximum size of home mortgages that can be guaranteed by Fannie Mae, Freddie Mac or the Federal Housing Administration. Those caps dropped to \$625,500 on Oct. 1 in expensive markets such as New York and San Francisco, down from \$729,750 earlier in the year.

On the other side are lawmakers like Reps. **John Campbell** and Gary Miller, both California Republicans. They argue that the housing market is far too weak to withdraw federal support.

The issue puts House Republicans in a tough spot: Lawmakers campaigned last year to end federal bailouts, including the rescue of Fannie Mae and Freddie Mac.

But many lawmakers, particularly Republicans in California and New York, face pressure from real estate agents and mortgage lenders in their districts, who have been hit hard by the real estate downturn.

Speaking to reporters on Thursday, Garrett said a vote to raise the loan limits for Fannie and Freddie should be seen as a vote to continue their rescue, which has cost taxpayers \$141 billion to date.

"Republicans ran on the platform of ending the bailouts," Mr. Garrett said. "So long as [Fannie and Freddie] exist in their present configuration, the bailouts are continuing."

Garrett's remarks follow a letter sent this week to colleagues by Mr. Hensarling, the fourth-ranking House GOP lawmaker and a key conservative.

"Instead of expanding these loan limits for affluent borrowers, Congress must allow them to continue to decrease as the first step toward reducing taxpayer exposure to the housing market and ensuring the government is not squeezing out private capital," Mr. Hensarling wrote.

It was unclear, however, whether House Speaker John Boehner (R., Ohio) and other top Republican leaders would back these calls to resist the higher limits.

Mr. Campbell said in a statement Thursday that he would push Republican leaders **"just as hard,"** to restore the limits.

"If we do not pass the Senate bill, housing prices will fall ... resulting in further malaise to the housing market and the economy in general," Mr. Campbell said.

Mr. Miller in a statement last week praised the Senate's move.

"Allowing the loan limits to be reduced while private mortgage capital remains scarce has made it increasingly difficult for potential homebuyers in California and other high-cost areas to obtain mortgage credit," Mr. Miller said. "This reduction in credit availability comes at the worst possible time for our housing market. "

While the outcome is uncertain, the issue appeared likely to be resolved as part of the wider debate over government funding levels that both parties hope to settle before the end of November.